

**TOWN OF CLAYTON, LOUISIANA**  
**ANNUAL FINANCIAL STATEMENTS**  
**AS OF JUNE 30, 2012**  
**AND FOR THE YEAR THEN ENDED**  
**WITH**  
**INDEPENDENT AUDITOR'S REPORT**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date DEC 11 2013



**SILAS SIMMONS** LLP  
CERTIFIED PUBLIC ACCOUNTANTS *and* ADVISORS

**TOWN OF CLAYTON, LOUISIANA**

**Annual Financial Statements  
As of and for the Year Ended June 30, 2012  
With Supplemental Information Schedules**

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**TOWN OF CLAYTON, LOUISIANA**

**Annual Financial Statements  
As of and for the Year Ended June 30, 2012  
With Supplemental Information Schedules**

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## **INDEPENDENT AUDITOR'S REPORT**

Honorable Rydell Turner, Mayor  
and Members of the Board of Aldermen  
Town of Clayton, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Clayton, Louisiana as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements, as listed in the table of contents, and the related notes to the financial statements

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Clayton, Louisiana as of June 30, 2012, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 5 and pages 23 through 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 24, 2013, on our consideration of the Town of Clayton, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

This report is intended for the information of the Mayor, Members of the Board of Aldermen, and the Legislative Auditor of the State of Louisiana and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Silas Simmons, LLP*

Natchez, Mississippi  
July 24, 2013

**SECTION I**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**TOWN OF CLAYTON, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012**

As management of the Town of Clayton, Louisiana, we offer readers of the Town of Clayton, Louisiana's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal years ended June 30, 2012 and 2011. We encourage readers to consider the information provided here in conjunction with additional information found within the body of the audit.

### **FINANCIAL HIGHLIGHTS**

The financial statements included in this report provide insight into the financial status for the year. Based upon the operations of 2012 and 2011, the Town's net position decreased in 2012, which resulted in ending net position of \$3,480,183, and increased in 2011, which resulted in ending net position of \$3,620,542 at June 30, 2012.

- 1 The beginning cash balance at July 1, 2010, was \$354,985. The ending cash balance was \$332,191 at June 30, 2011, and \$266,602 at June 30, 2012.
- 2 The governmental activities had \$282,277 in revenues in 2012, and \$720,237 in 2011. The revenues consisted primarily of grants, sales taxes, property taxes, occupational licenses, franchise taxes, and fines. There were expenditures of \$276,288 in 2012, and \$197,484 in 2011.

### **OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Town of Clayton's financial statements. The Town's financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year.

The government-wide financial statements outline functions of the Town that are principally supported by property taxes and intergovernmental revenues (governmental activities). Fixed assets and related debt are also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 6 - 7 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

The basic governmental fund financial statements can be found on pages 8 - 11 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found on pages 15 to 22 of this report.

**TOWN OF CLAYTON, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The following is a condensed statement of the Town's net position

	Governmental Activities	Business-Type Activities	Total	
			2012	2011
Current assets	\$ 247,664	\$ 51,454	\$ 299,118	\$ 71,432
Noncurrent assets	809,610	2,470,358	3,279,968	3,605,020
Total assets	<u>\$ 1,057,274</u>	<u>\$ 2,521,812</u>	<u>\$ 3,579,086</u>	<u>\$ 3,676,452</u>
Current liabilities	\$ 43,461	\$ 19,690	\$ 63,151	\$ 20,765
Noncurrent liabilities	-	35,752	35,752	35,145
Total liabilities	<u>\$ 43,461</u>	<u>\$ 55,442</u>	<u>\$ 98,903</u>	<u>\$ 55,910</u>
Net position				
Investment in capital assets, net of related debt	\$ 809,610	\$ 2,470,358	\$ 3,279,968	\$ 3,322,215
Restricted	210,215	35,752	245,967	282,805
Unrestricted (deficit)	(6,012)	(39,740)	(45,752)	15,522
Total net position	<u>\$ 1,013,813</u>	<u>\$ 2,466,370</u>	<u>\$ 3,480,183</u>	<u>\$ 3,620,542</u>

The following is a summary of the statement of activities

	Governmental Activities	Business-Type Activities	Total	
			2012	2011
Revenues				
Program revenues	\$ 143,285	\$ 213,532	\$ 356,817	\$ 863,444
General revenues	138,992	394	139,386	144,304
Transfers	14,496	(14,496)	-	-
Total revenues and transfers	<u>\$ 296,773</u>	<u>\$ 199,430</u>	<u>\$ 496,203</u>	<u>\$ 1,007,748</u>
Expenses				
General and administrative	\$ 68,391	\$ -	\$ 68,391	\$ 43,054
Public safety - police	20,455	-	20,455	23,834
Public safety - fire	10,728	-	10,728	11,177
Street and sanitation	176,714	-	176,714	119,419
Utility operations	-	360,274	360,274	354,363
Total expenses	<u>\$ 276,288</u>	<u>\$ 360,274</u>	<u>\$ 636,562</u>	<u>\$ 551,847</u>
Increase (decrease) in net position	\$ 20,485	\$ (160,844)	\$ (140,359)	\$ 455,901
Net position, beginning of year	993,328	2,627,214	3,620,542	3,164,641
Net position, ending of year	<u>\$ 1,013,813</u>	<u>\$ 2,466,370</u>	<u>\$ 3,480,183</u>	<u>\$ 3,620,542</u>



**TOWN OF CLAYTON, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012**

**Comments on General Fund Comparisons**

The Town's budget was amended once during the last year. The budgeted expenditures were \$200,073 and revenues and transfers-in were budgeted at \$148,314. Actual revenues and transfers in were \$159,847 and actual expenditures were \$207,056.

**CAPITAL ASSETS**

As of June 30, 2012, the Town had \$809,610 invested in capital assets in the general fund and \$2,470,358 in the proprietary fund. This year, there were \$14,124 in additions in the general fund and \$136,030 in the capital projects fund. The following capital assets were purchased in 2012:

General fund:	
Four wheelers (2)	\$ 14,124
Capital projects fund	
Sewer additions	136,030
Total	<u>\$ 150,154</u>

**REQUEST FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. Any questions about this report or request for additional information may be directed to Sadie Jones, Town Clerk, 101 Shady Lane, Clayton, LA 71326, (318) 757-8540.

**SECTION II**  
**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

TOWN OF CLAYTON, LOUISIANA  
STATEMENT OF NET POSITION  
JUNE 30, 2012

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 20,635	\$ -	\$ 20,635
Receivables, net	-	15,642	15,642
Accrued interest receivable	-	60	60
Due from other governments	16,814	-	16,814
Restricted assets	210,215	35,752	245,967
Capital assets - net	<u>809,610</u>	<u>2,470,358</u>	<u>3,279,968</u>
Total assets	<u>\$ 1,057,274</u>	<u>\$ 2,521,812</u>	<u>\$ 3,579,086</u>
<b><u>LIABILITIES</u></b>			
Cash overdraft	\$ -	\$ 489	\$ 489
Accounts and other payables	43,461	19,201	62,662
Meter deposits	<u>-</u>	<u>35,752</u>	<u>35,752</u>
Total liabilities	<u>\$ 43,461</u>	<u>\$ 55,442</u>	<u>\$ 98,903</u>
<b><u>NET POSITION</u></b>			
Invested in capital assets	\$ 809,610	\$ 2,470,358	\$ 3,279,968
Restricted for			
Roads	210,215	-	210,215
Customer deposits	-	35,752	35,752
Unrestricted (deficit)	<u>(6,012)</u>	<u>(39,740)</u>	<u>(45,752)</u>
Total net position	<u>\$ 1,013,813</u>	<u>\$ 2,466,370</u>	<u>\$ 3,480,183</u>

The accompanying notes are an integral part of this financial statement

## STATEMENT B

**TOWN OF CLAYTON, LOUISIANA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2012**

Activities	Expenses	Program Revenues		Net (Expenses), Revenues, and Changes		Total
		Charges for Services	Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental activities						
General government	\$ 68,391	\$ -	\$ 136,130	\$ 67,739	\$ -	\$ 67,739
Public safety						
Police	20,455	3,403	-	(17,052)	-	(17,052)
Fire	10,728	3,752	-	(6,976)	-	(6,976)
Street and sanitation	176,714	-	-	(176,714)	-	(176,714)
Total governmental activities	<u>\$ 276,288</u>	<u>\$ 7,155</u>	<u>\$ 136,130</u>	<u>\$ (133,003)</u>	<u>-</u>	<u>(133,003)</u>
Business-type activities						
Water and sewer	\$ 360,274	\$ 213,532	\$ -	\$ -	\$ (146,742)	\$ (146,742)
Total	<u>\$ 636,562</u>	<u>\$ 220,687</u>	<u>\$ 136,130</u>	<u>\$ (133,003)</u>	<u>\$ (146,742)</u>	<u>\$ (279,745)</u>
General Revenues						
Taxes						
Property taxes				\$ 4,570	\$ -	\$ 4,570
Sales taxes				109,128	-	109,128
Beer taxes				1,632	-	1,632
Franchise taxes				12,049	-	12,049
Occupational licenses				5,305	-	5,305
Interest income				101	394	495
Miscellaneous				6,207	-	6,207
Transfers				14,496	(14,496)	-
Total general revenues and transfers				<u>\$ 153,488</u>	<u>\$ (14,102)</u>	<u>\$ 139,386</u>
Changes in net position				\$ 20,485	\$ (160,844)	\$ (140,359)
Net position, July 1, 2011				<u>993,328</u>	<u>2,627,214</u>	<u>3,620,542</u>
Net position, June 30, 2012				<u>\$ 1,013,813</u>	<u>\$ 2,466,370</u>	<u>\$ 3,480,183</u>

The accompanying notes are an integral part of this financial statement.

**SECTION III**  
**FUND FINANCIAL STATEMENTS**

TOWN OF CLAYTON, LOUISIANA  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2012

	<u>Major Funds</u>		
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>			
Cash	\$ 20,430	\$ 205	\$ 20,635
Restricted assets	210,215	-	210,215
Due from other governmental units	<u>10,061</u>	<u>6,753</u>	<u>16,814</u>
Total assets	<u>\$ 240,706</u>	<u>\$ 6,958</u>	<u>\$ 247,664</u>
<b><u>LIABILITIES AND FUND BALANCE</u></b>			
Liabilities			
Accounts and other payables	<u>\$ 36,708</u>	<u>\$ 6,753</u>	<u>\$ 43,461</u>
Fund balances			
Restricted for roads	\$ 210,215	\$ 205	\$ 210,420
Unassigned (deficit)	<u>(6,217)</u>	<u>-</u>	<u>(6,217)</u>
Total fund balance	<u>\$ 203,998</u>	<u>\$ 205</u>	<u>\$ 204,203</u>
Total liabilities and fund balances	<u>\$ 240,706</u>	<u>\$ 6,958</u>	<u>\$ 247,664</u>

The accompanying notes are an integral part of this financial statement

**TOWN OF CLAYTON, LOUISIANA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2012**

Fund balances, total governmental funds (Statement C)	\$	204,203
Total net position reported for governmental activities in the statement of net position are different because		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds These assets consist of		
Land, buildings, and equipment	\$	1,134,375
Less accumulated depreciation	<u>(324,765)</u>	<u>809,610</u>
Net position of governmental activities (Statement A)	\$	<u><u>1,013,813</u></u>

The accompanying notes are an integral part of this financial statement

**TOWN OF CLAYTON, LOUISIANA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Major Funds		
	General Fund	Capital Projects Fund	Total Governmental Funds
<b><u>REVENUES</u></b>			
Taxes	\$ 128,991	\$ -	\$ 128,991
Licenses and permits	5,305	-	5,305
Intergovernmental			
Federal grant	-	136,130	136,130
Fines and forfeits	3,403	-	3,403
Interest income	101	-	101
Other	8,347	-	8,347
Total revenues	<u>\$ 146,147</u>	<u>\$ 136,130</u>	<u>\$ 282,277</u>
<b><u>EXPENDITURES</u></b>			
General government	\$ 54,570	\$ -	\$ 54,570
Public safety			
Police	20,455	-	20,455
Fire	475	-	475
Street and sanitation	146,728	-	146,728
Capital outlays	14,124	136,030	150,154
Total expenditures	<u>\$ 236,352</u>	<u>\$ 136,030</u>	<u>\$ 372,382</u>
Excess (deficiency) of revenues over expenditures	\$ (90,205)	\$ 100	\$ (90,105)
Other financing sources			
Transfers-in	14,496	-	14,496
Net changes in fund balances	\$ (75,709)	\$ 100	\$ (75,609)
Fund balances, beginning of year	279,707	105	279,812
Fund balances, end of year	<u>\$ 203,998</u>	<u>\$ 205</u>	<u>\$ 204,203</u>

The accompanying notes are an integral part of this financial statement



**TOWN OF CLAYTON, LOUISIANA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012**

Net change in fund balances, total governmental funds, (Statement E)	\$	(75,609)
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The change in net position reported for governmental activities in the statement of activities is different because

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay which is considered expenditures on statement of revenues, expenditures, and changes in fund balances		150,154
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Depreciation expense for the year	_____	(54,060)
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Change in net position of governmental activities, (Statement B)	\$ _____	<u>20,485</u>
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The accompanying notes are an integral part of this financial statement

TOWN OF CLAYTON, LOUISIANA  
PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2012

**ASSETS**

Current assets:

Accounts receivable, net of allowance	\$ 15,642
Accrued interest receivable	60
Total current assets	<u>\$ 15,702</u>

Noncurrent assets:

Restricted assets	
Cash and cash equivalents	\$ 35,752
Capital assets, net of accumulated depreciation	<u>2,470,358</u>
Total noncurrent assets	<u>\$ 2,506,110</u>

Total assets	<u>\$ 2,521,812</u>
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**LIABILITIES**

Current liabilities

Cash overdraft	\$ 489
Accounts and other payables	<u>19,201</u>
Total unrestricted current liabilities	<u>\$ 19,690</u>

Current liabilities payable from restricted assets:

Meter deposits	<u>\$ 35,752</u>
Total liabilities	<u>\$ 55,442</u>

**NET POSITION**

Investment in capital assets, net of related debt	\$ 2,470,358
Restricted for customer deposits	35,752
Unassigned (deficit)	<u>(39,740)</u>
Total net position	<u>\$ 2,466,370</u>

The accompanying notes are an integral part of this financial statement

TOWN OF CLAYTON, LOUISIANA  
PROPRIETARY FUND  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2012

Operating revenues.	
Charges for services	\$ <u>213,532</u>
Operating expenses	
Gas purchases	\$ 20,668
Salaries	85,060
Material and supplies	17,241
Depreciation	138,341
Repairs	7,475
Miscellaneous	16,849
Truck and tractor expense	2,774
Utilities and telephone	14,921
Office supplies	4,788
Payroll taxes	7,026
Insurance	42,631
Legal and accounting	2,500
Total operating expenses	\$ <u>360,274</u>
Operating (loss)	\$ <u>(146,742)</u>
Nonoperating revenues	
Interest income	\$ <u>394</u>
Total nonoperating revenues	\$ <u>394</u>
(Loss) before transfers	\$ <u>(146,348)</u>
Other financing sources	
Transfers (out)	\$ <u>(14,496)</u>
Total transfers	\$ <u>(14,496)</u>
Change in net position	\$ (160,844)
Net position, beginning	<u>2,627,214</u>
Net position, ending	<u>\$ 2,466,370</u>

The accompanying notes are an integral part of this financial statement

TOWN OF CLAYTON, LOUISIANA  
PROPRIETARY FUND  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2012

Cash flows from operating activities	
Cash received from customers	\$ 210,129
Cash payments to suppliers for goods and services	(130,536)
Cash payments to employees for services	(85,060)
Net cash (used) by operating activities	<u>\$ (5,467)</u>
Cash flows from noncapital financing activities	
Operating transfers (to) other funds	\$ (14,496)
Increase in consumer deposits	607
Net cash (used) by noncapital financing activities	<u>\$ (13,889)</u>
Cash flows from investing activities	
Interest income	<u>\$ 876</u>
Net decrease in cash and cash equivalents	\$ (18,480)
Cash and cash equivalents at July 1, 2011	<u>54,232</u>
Cash and cash equivalents at June 30, 2012	<u><u>\$ 35,752</u></u>
Reconciliation of operating (loss) to net cash (used) by operating activities	
Operating (loss)	\$ (146,742)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities	
Depreciation	138,341
Changes in assets and liabilities	
Increase in accounts receivable	(3,403)
Increase in accounts payable	<u>6,337</u>
Net cash (used) by operating activities	<u><u>\$ (5,467)</u></u>

The accompanying notes are an integral part of this financial statement

## **NOTES TO THE FINANCIAL STATEMENTS**

**TOWN OF CLAYTON, LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012**

**INTRODUCTION**

The Town of Clayton is a municipal corporation governed by an elected mayor

- 1 The Town of Clayton, Louisiana was incorporated under provisions of the Lawrason Act as a Town in 1962
- 2 The purpose of a municipality is to provide utility services, public safety, (police and fire), streets, sanitation, and general administrative services
- 3 The Board of Aldermen consists of five elected members that are paid \$150 per month
- 4 The Town of Clayton is located in the northeastern portion of Concordia Parish, Louisiana Concordia Parish is located in northeastern Louisiana
- 5 The population of Clayton is approximately 835
- 6 The Town of Clayton has three full time employees and one part time employee
- 7 The Town of Clayton has approximately 466 utility customers

GASB Statement No 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity Under provisions of this statement, the municipality is considered a primary government, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments As used in GASB Statement No 14, fiscally independent means that the municipality may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes, set rates or charges, and issue bonded debt

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government For the most part, the effect of interfund activity has been removed from these statements Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues Direct expenses are those that are clearly identifiable with a specific function or segment Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment Taxes and other items not properly included among program revenues are reported instead as general revenues

Separate financial statements are provided for governmental funds and proprietary funds

**TOWN OF CLAYTON, LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. *Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following major governmental funds:

The General Fund is the municipality's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Capital Projects Fund accounts for construction projects funded by grants.

The Indebtedness Fund accounts for long-term debt.

The Town reports the following major proprietary fund:

The Utility Fund is used to account for the provision of gas and water utilities, as well as sewer services to residents of the Town. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

**TOWN OF CLAYTON, LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. *Measurement Focus, Basis of Accounting, and Financial Statement Presentation* (continued)**

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal on-going operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

**C. *Deposits***

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of six months or less from the date of acquisition. State law and the Town's investment policy allow the municipality to invest in collateralized certificates of deposit, government-backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government-backed securities.

**D. *Receivables and Revenues***

All trade and property tax receivables are shown net of an allowance for uncollectible accounts. Uncollectible amounts due for ad valorem taxes and customer's utility receivables are recognized through the establishment of an allowance account at the time information becomes available, which would indicate the uncollectibility of the particular receivable.

The Town annually levies ad valorem taxes in accordance with state statute for the fiscal year ended June 30. Tax bills are prepared and delivered in October with payment due from the date of receipt to the last day of February. Because of the due dates noted previously, ad valorem taxes are not considered to be available resources of the fiscal year to which they apply and are, therefore, not accrued at the end of the fiscal year.

The Town bills and collects its own property taxes using the assessed values determined by the Tax Assessor of Concordia Parish.



**TOWN OF CLAYTON, LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. *Receivables and Revenues* (continued)**

For the year ended June 30, 2012, taxes of 3.63 mills were levied on property with assessed valuations totaling \$1,312,090, after abatements and exemptions, and were dedicated as follows

General corporate purposes	3.63 mills
Total taxes levied	\$ <u>4,631</u>

**E. *Inventories***

For both governmental and proprietary funds, purchase of various operating supplies are regarded as expenditures or expenses at the time purchased, and inventories of such supplies (if any) are not recorded as assets at the close of the fiscal year. For the year ending June 30, 2012, these amounts were considered to be immaterial.

**F. *Restricted Assets***

Restricted assets represent resources that must be expended in a specific manner. Restrictions of this nature are imposed by various contractual obligations including grant agreements and bond covenants. In situations where it is permissible to spend restricted resources, the Town typically depletes the available restricted resources before consuming unrestricted resources. Restricted assets were applicable to the following at June 30, 2012:

Utility fund	
Customer deposits	\$ 35,752
Governmental fund	
Road maintenance	<u>210,215</u>
Total	\$ <u>245,967</u>

**G. *Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The municipality maintains a threshold level of \$500 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

**TOWN OF CLAYTON, LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**G. Capital Assets (continued)**

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
<b>Governmental activities:</b>	
Streets	20 years
Buildings	40 years
Vehicles	5 – 15 years
Machinery and equipment	5 – 15 years
<b>Business-type activities/Enterprise Fund:</b>	
Buildings	25 years
Infrastructure	20 – 50 years
Machinery and equipment	10 – 20 years
Vehicles	5 years

**H. Compensated Absences**

Each full-time employee is credited with one day of vacation leave for each month worked. The employee's vacation leave will begin to accumulate upon finishing a six-month probation period. Employees are allowed five days of sick leave up until his or her first anniversary date arrives. After his or her first anniversary, the employee shall earn sick leave at the rate of ten days per anniversary date. In accordance with GASB Statement No. 16, the Town had no accrued compensated absences as of June 30, 2012.

**I. Long-Term Obligations**

In the government-wide financial statements, and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**TOWN OF CLAYTON, LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**J. Fund Equity**

Beginning with fiscal year 2011, the Town implemented GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions" This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used

- Nonspendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact,
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation,
- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority, to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint,
- Assigned fund balance - amounts a government intends to use for a specific purpose, intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority,
- Unassigned fund balance - amounts that are available for any purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes)

The Board of Aldermen establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution This is typically done through adoption and amendment of the budget A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives) Assigned fund balance is established by the Board of Aldermen through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

In the general fund, the Town strives to maintain an unassigned fund balance to be used for unanticipated emergencies

**K. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period Actual results could differ from those estimates

**NOTE 2 - CASH AND CASH EQUIVALENTS**

The following is a summary of cash and cash equivalents (book balances) at June 30, 2012

Demand deposits	\$ 233,001
Time deposits	<u>33,601</u>
Total	<u>\$ 266,602</u>

**TOWN OF CLAYTON, LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE 2 - CASH AND CASH EQUIVALENTS (continued)**

These deposits are stated at cost, which approximates market. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At June 30, 2012, the primary government has \$270,442 in deposits (collected bank balances). These deposits are secured from risk by \$270,442 of federal deposit insurance.

**NOTE 3 - RECEIVABLES**

The following is a summary of receivables for June 30, 2012:

<u>Class of Receivables</u>	<u>Business-Type Activities</u>
Utilities	\$ 32,200
Less allowance for bad debts	<u>(16,558)</u>
Total	<u>\$ 15,642</u>

**NOTE 4 - CAPITAL ASSETS**

Capital assets and depreciation activity as of and for the year ended June 30, 2012, is as follows:

	<u>Balance 6/30/2011</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 6/30/2012</u>
<b><u>Governmental activities</u></b>				
Capital assets not being depreciated				
Land	\$ 8,425	\$ -	\$ -	\$ 8,425
Capital assets being depreciated				
Buildings	\$ 154,175	\$ -	\$ -	\$ 154,175
Streets	599,713	-	-	599,713
Equipment	<u>221,908</u>	<u>150,154</u>	-	<u>372,062</u>
Total capital assets being depreciated	<u>\$ 975,796</u>	<u>\$ 150,154</u>	\$ -	<u>\$ 1,125,950</u>
Less accumulated depreciation for				
Buildings	\$ (39,064)	\$ (5,259)	\$ -	\$ (44,323)
Streets	(110,022)	(29,986)	-	(140,008)
Equipment	<u>(121,619)</u>	<u>(18,815)</u>	-	<u>(140,434)</u>
Total accumulated depreciation	<u>\$ (270,705)</u>	<u>\$ (54,060)</u>	\$ -	<u>\$ (324,765)</u>
Total capital assets being depreciated, net	<u>\$ 705,091</u>	<u>\$ 96,094</u>	\$ -	<u>\$ 801,185</u>
Governmental activities capital assets, net	<u>\$ 713,516</u>	<u>\$ 96,094</u>	<u>\$ -</u>	<u>\$ 809,610</u>

**TOWN OF CLAYTON, LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE 4 - CAPITAL ASSETS (continued)**

Depreciation expense was charged to governmental activities as follows

General government	\$ 13,821
Fire	10,253
Streets	29,986
Total	<u>\$ 54,060</u>

	Balance 6/30/2011	Increase	Decrease	Balance 6/30/2012
<u>Business-type activities</u>				
Capital assets being depreciated				
Equipment	\$ 4,504,506	\$ -	\$ -	\$ 4,504,506
Less accumulated depreciation for				
Equipment	\$ (1,895,807)	\$ (138,341)	\$ -	\$ (2,034,148)
Total capital assets being depreciated, net	<u>\$ 2,608,699</u>	<u>\$ (138,341)</u>	<u>\$ -</u>	<u>\$ 2,470,358</u>

**NOTE 5 - RETIREMENT COMMITMENTS**

The Town of Clayton employees are all members of the social security system and are members of no other retirement plan. The expense of the social security is reflected in payroll taxes in the various statements of income.

**NOTE 6 - RISK MANAGEMENT**

The Town is exposed to certain risks of losses such as property damage, liability issues, and other potential losses that may occur. The Town minimizes its losses by purchase of commercial insurance. The Town's exposure over the amount of insurance is considered to be immaterial.

**NOTE 7 - COMPENSATION OF THE GOVERNING BOARD**

The Governing Board of the Town of Clayton, Louisiana consists of a Mayor and five Aldermen. For the year ended June 30, 2012, their compensation was as follows:

Rydell Turner, Mayor	\$ 3,600
Blanche Clayton	1,800
Lavon Barber	1,800
Carl Thompson	1,800
Willie Evans	1,800
Irene Jefferson	1,800
Total	<u>\$ 12,600</u>

**SECTION IV**  
**ADDITIONAL REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF CLAYTON, LOUISIANA**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 17,730	\$ 126,967	\$ 128,195	\$ 1,228
Licenses and permits	6,000	6,000	5,305	(695)
Intergovernmental	3,500	3,752	-	(3,752)
Fines	14,500	3,400	3,403	3
Interest	-	10	101	91
Miscellaneous	1,900	6,185	8,347	2,162
Total revenues	<u>\$ 43,630</u>	<u>\$ 146,314</u>	<u>\$ 145,351</u>	<u>\$ (963)</u>
<b>Expenditures</b>				
General government	\$ 25,425	\$ 17,954	\$ 22,633	\$ (4,679)
Public safety				
Police	23,700	11,836	21,345	(9,509)
Fire	5,402	3,451	500	2,951
Street and sanitation	12,100	140,854	148,454	(7,600)
Capital outlay	-	25,978	14,124	11,854
Total expenditures	<u>\$ 66,627</u>	<u>\$ 200,073</u>	<u>\$ 207,056</u>	<u>\$ (6,983)</u>
(Deficiency) of revenues over expenditures	\$ (22,997)	\$ (53,759)	\$ (61,705)	\$ (7,946)
Other financing sources				
Operating transfers in	<u>23,000</u>	<u>2,000</u>	<u>14,496</u>	<u>12,496</u>
Net changes in fund balances	\$ 3	\$ (51,759)	\$ (47,209)	\$ 4,550
Fund balance, beginning	<u>279,326</u>	<u>279,326</u>	<u>279,326</u>	<u>-</u>
Fund balance, ending	<u>\$ 279,329</u>	<u>\$ 227,567</u>	<u>\$ 232,117</u>	<u>\$ 4,550</u>

See Independent Auditor's Report

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**SECTION V**  
**OTHER REPORTS**

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**SECTION V**  
**OTHER REPORTS**

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
 REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
 OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
 WITH GOVERNMENT AUDITING STANDARDS**

Honorable Rydell Turner, Mayor  
 and Members of the Board of Aldermen  
 Town of Clayton, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Clayton, Louisiana as of and for the year ended June 30, 2012, and the related notes to the financial statements, which collectively comprise the Town of Clayton, Louisiana's basic financial statements, and have issued our report thereon dated July 24, 2013

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of Clayton, Louisiana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Clayton, Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Clayton, Louisiana's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings, recommendations, and corrective action plan, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings, recommendations, and corrective action plan to be material weaknesses. Those deficiencies are described as 2012-1 and 2012-2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Clayton, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2012-3, 2012-4, and 2012-5.

The Town of Clayton, Louisiana's response to the findings identified in our audit is described in the accompanying schedule of findings, recommendations, and corrective action plan. We did not audit the Town of Clayton, Louisiana's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of management, the Board of Aldermen, the Legislative Auditor of the State of Louisiana, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Silas Simmons, LLP". The signature is written in a cursive, flowing style.

Natchez, Mississippi  
July 24, 2013

**SECTION VI**  
**SCHEDULE OF FINDINGS**

**TOWN OF CLAYTON, LOUISIANA  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2012**

**Section I: Summary of Auditor's Reports**

**Financial Statements**

- |   |   |             |
|---|---|-------------|
| 1 | Type of auditor's report issued on the financial statements                               | Unqualified |
| 2 | Internal control over financial reporting:  |             |
| a | Material weakness(es) identified?   | Yes         |
| b | Significant deficiency(ies) identified that are not considered to be material weaknesses? | No          |
| 3 | Material noncompliance relating to the financial statements?                              | Yes         |

**TOWN OF CLAYTON, LOUISIANA  
SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2011**

Reference No	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken (Yes, No, Partially)	Planned Corrective Action/Partial Corrective Action Taken
Section I – Internal Control and Compliance Material to the Financial Statements				
2011-1	Years ago	<p><b><u>Segregation of Duties</u></b> We noted the Town of Clayton does not have adequate segregation of duties in the accounting department. Two people are responsible for collection, posting accounts receivable records, posting the cash receipts journals, posting the cash disbursement journals, posting the general ledgers, preparing deposits, opening bank statements, and preparing bank reconciliations as well as writing and signing checks. In order to increase internal controls, the functions should be separated.</p>	No	No plans
2011-2	2010	<p><b><u>Utility Cut-off Policy</u></b> As of June 30, 2011, the Town of Clayton had 94 out of 466 utility customers receiving utility services in violation of the utility cut-off policy. These customers owed a total of \$11,362. Out of the 94 customers, 3 of them were 120 days past due and 2 of these 94 customers had not made any payments in over 90 days. Three of those who should be cut off were the Mayor and two aldermen.</p> <p>The utility cut-off policy requires the Town to terminate services to customers who have not paid by the 5<sup>th</sup> day of the month following the month the bills were mailed.</p>	Partially	This finding continues and is reported as Finding 2012-2 in the June 30, 2012 audit, except that the Mayor and two aldermen were in compliance with the cut-off policy at year end.

**TOWN OF CLAYTON, LOUISIANA  
SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2011**

<u>Reference No</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of Finding</u>	<u>Corrective Action Taken (Yes, No, Partially)</u>	<u>Planned Corrective Action/Partial Corrective Action Taken</u>
Section I - Internal Control and Compliance Material to the Financial Statements (continued)				
2011-3	2011	<p><b><u>Budget Law Violation - General Fund</u></b> We noted the Town had budgeted expenditures of \$122,867 and actual expenditures of \$203,970. The variance was 66% in excess of the budgeted amount. Louisiana Revised Statute 39:1311 requires expenditures to be within 5% of the amount budgeted.</p>	Yes	This finding has been corrected
2011-4	2011	<p><b><u>Sales Tax Covenants Violations</u></b> The Town of Clayton has a 1 ½% sales tax which the proceeds are to be used for construction, hard surfacing, improving, and/or maintaining public roads and streets. Incidental drainage may also be provided with these funds. The sales tax provides approximately \$65,000 in revenues annually.</p> <p>During the year audited, the Town began using these funds for purposes that appear to be in violation of the purposes provided by the sales tax election. Funds were spent for the following, as well as other purposes, during the year and up to the date of this audit report:</p> <ol style="list-style-type: none"> <li>1. Five employees were hired</li> <li>2. Two four-wheelers purchased, costing \$10,978</li> <li>3. Fuel purchases in one month for \$2,626</li> </ol>	No	This finding continues and is reported as Finding 2012-3 in the June 30, 2012 audit.

**TOWN OF CLAYTON, LOUISIANA  
SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2011**

Reference No	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken (Yes, No, Partially)	Planned Corrective Action/Partial Corrective Action Taken
Section I – Internal Control and Compliance Material to the Financial Statements (continued)				
2011-4		<p><b><u>Sales Tax Covenants Violations</u></b> (continued)</p> <p>During the three month period after June 30, 2011, \$70,417 was spent and only \$35,058 appears to be for the intended purpose. The remaining \$35,359 was apparently spent for “incidental” drainage. The amount being spent at the present time for incidentals is far in excess of the revenue received each month. This rate of spending will reduce the funds accumulated over the past few years to \$0 in a short period of time unless it is stopped.</p>		
2011-5	2011	<p><b><u>Internal Control – Fuel Purchases</u></b></p> <p>We noted several issues concerning fuel purchases including the following:</p> <ol style="list-style-type: none"> <li>1 Nine (9) different people signed purchase orders during the year for fuel purchases</li> <li>2 We reviewed 239 fuel purchases during the year and 55 had no purchase order authorizing the purchase</li> <li>3 The Mayor purchased gasoline for his personal vehicle 48 times during the year for a total of \$2,820. The Mayor filed no documentation supporting any of these purchases being for Town of Clayton business.</li> <li>4 The cash account restricted for road construction was used to pay for \$2,765 of fuel during the year. This is apparently a violation of the restrictive covenants of the sales tax approved by the citizens of the Town of Clayton.</li> </ol>	No	This finding continues and is reported as Finding 2012-4 in the June 30, 2012 audit.



**TOWN OF CLAYTON, LOUISIANA  
SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2011**

Reference No	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken (Yes, No, Partially)	Planned Corrective Action/Partial Corrective Action Taken
Section I – Internal Control and Compliance Material to the Financial Statements (continued).				
2011-6	2011	<p><b><u>Written Policies</u></b> The following functions of government are not documented by written policies</p> <ol style="list-style-type: none"> <li>1 Policy documenting the preparation, adopting, monitoring, and amending of the budget.</li> <li>2 Policy documenting purchasing including <ol style="list-style-type: none"> <li>a How purchases are initiated</li> <li>b How vendors are added to list of approved vendors.</li> <li>c Preparation and approval process of purchase requisitions and purchase orders</li> <li>d Policy with checks and balances to ensure compliance with the public bid law</li> <li>e Documentation required to be maintained for all bids and quotes</li> <li>f Written policies for disbursements including processing, reviewing, and approving</li> <li>g Written policies including recording and preparing deposit</li> <li>h. Policy for travel and expense reimbursements</li> <li>i. Policy including procedures for contracts</li> </ol> </li> <li>3 Policy and procedures documenting payroll compilation and preparation and personnel matters Payroll policy should include reviewing and approving time and attendance records, including leave and overtime worked.</li> </ol>	Yes	This finding has been corrected

**TOWN OF CLAYTON, LOUISIANA  
SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2011**

<u>Reference</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of Finding</u>	<u>Corrective Action Taken (Yes, No, Partially)</u>	<u>Planned Corrective Action/Partial Corrective Action Taken</u>
<u>No</u>				

**Section II - Internal Control and Compliance Material to Federal Awards**

None

**Section III - Management Letter**

None

**TOWN OF CLAYTON, LOUISIANA  
SCHEDULE OF CURRENT YEAR FINDINGS, RECOMMENDATIONS, AND  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2012**

<u>Ref No</u>	<u>Description of Finding</u>	<u>Corrective Action Planned</u>	<u>Name(s) of Contact Person(s)</u>	<u>Anticipated Completion Date</u>
<b>Section I - Internal Control and Compliance Material to the Financial Statements.</b>				
2012-1	<p><b><u>Segregation of Duties</u></b> We noted the Town of Clayton does not have adequate segregation of duties in the accounting department. Two people are responsible for collection, posting accounts receivable records, posting the cash receipts journals, posting the cash disbursement journals, posting the general ledgers, preparing deposits, opening bank statements, and preparing bank reconciliations as well as writing and signing checks. In order to increase internal controls, the functions should be separated.</p> <p><b><u>Recommendation</u></b> We recommend the Town attempt to separate duties in order to strengthen internal control.</p>	No action planned	Sadie Jones, Town Clerk	None
2012-2	<p><b><u>Utility Cut-off Policy</u></b> As of June 30, 2012, the Town of Clayton had 13 out of 563 utility customers receiving utility services in violation of the utility cut-off policy. These customers owed a total of \$3,109. Out of the 13 customers, 1 of them was 120 days past due and 5 of these customers had not made any payments in over 90 days.</p> <p>The utility cut-off policy requires the Town to terminate services to customers who have not paid by the 5<sup>th</sup> day of the month following the month the bills were mailed.</p> <p><b><u>Recommendation</u></b> We recommend that the Town comply with its utility cut-off policy in the future and cut off water and gas services to customers who do not pay within the time limit.</p>	Mayor will correct this finding	Sadie Jones, Town Clerk	6/30/2013

**TOWN OF CLAYTON, LOUISIANA  
SCHEDULE OF CURRENT YEAR FINDINGS, RECOMMENDATIONS, AND  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2012**

<u>Ref No</u>	<u>Description of Finding</u>	<u>Corrective Action Planned</u>	<u>Name(s) of Contact Person(s)</u>	<u>Anticipated Completion Date</u>
Section I – Internal Control and Compliance Material to the Financial Statements (continued)				
2012-3	<p><b><u>Sales Tax Covenants Violations</u></b> The Town of Clayton has a 1 ½% sales tax which the proceeds are to be used for construction, hard surfacing, improving, and/or maintaining public roads and streets. Incidental drainage may also be provided with these funds. The sales tax provided \$61,109 in revenue this year.</p> <p>During the year audited, the Town began using these funds for purposes that appear to be in violation of the purposes provided by the sales tax election. A total of \$98,236 was spent primarily for salaries related to cutting grass in ditches. None of the expenditures were for the primary purpose of the tax. The primary purpose is for construction, hard surfacing, improving, and/or maintaining public roads and streets.</p> <p>The amount being spent at the present time for incidentals is far in excess of the revenue received each month. This rate of spending will reduce the funds accumulated over the past few years to \$0 in a short period of time unless this practice stops.</p> <p><b><u>Recommendation</u></b> We recommend that the Town cease spending dedicated funds for unauthorized purposes, immediately.</p>	Mayor will correct this finding	Sadie Jones, Town Clerk	6/30/2013
2012-4	<p><b><u>Controls Over Financial Reporting</u></b> The Louisiana Legislative Auditor issued an "Investigative Audit" (LLAAS) on November 7, 2012, detailing "improper personal fuel purchases by the Mayor". This report suggests Mayor Rydell Turner may have violated State law by using Town funds to purchase fuel for his personal use.</p>	Mayor will correct this finding	Sadie Jones, Town Clerk	6/30/2013

**TOWN OF CLAYTON, LOUISIANA  
SCHEDULE OF CURRENT YEAR FINDINGS, RECOMMENDATIONS, AND  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2012**

<u>Ref No</u>	<u>Description of Finding</u>	<u>Corrective Action Planned</u>	<u>Name(s) of Contact Person(s)</u>	<u>Anticipated Completion Date</u>
Section I – Internal Control and Compliance Material to the Financial Statements (continued)				
2012-4	<b><u>Controls Over Financial Reporting</u></b> (continued)  <b><u>Recommendation</u></b> We recommend that the Town address all issues Detailed in the Legislative Auditor's "Investigative Report".			
2012-5	<b><u>Late Filing of Audit Reports</u></b> The Town is required to submit an audit of its financial statements to the Louisiana Legislative Auditor within six months of its fiscal year end. This June 30, 2012, audit was due to be filed by December 31, 2012, however, the audit report was not complete until August, 2013  <b><u>Recommendation</u></b> We recommend that the Town provide information needed to the auditor in a timely manner to assure that all subsequent audits are filed with the Louisiana Legislative Auditor in a timely manner	The Mayor and the Board of Alder- men plan to assure that the fiscal year ended June 30, 2013, audit is timely filed with the Louisiana Legislative Auditor	Rydell Turner, Mayor	6/30/13
Section II – Internal Control and Compliance Material to Federal Awards				
None			N/A	N/A
Section III – Management Letter				
None			N/A	N/A